TCG

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July 23, 1996

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Interconnection NPRM -
CC Docket No. 96-98

Dear Mr. Caton:

Teleport Communications Group Inc. ("TCG") hereby gives notice of an ex parte presentation in the above-referenced proceeding. Robert C. Atkinson of TCG met with James R. Coltharp on July 23, 1996 and provided to him the attached document.

Very truly yours,

Robert C. Atkinson

Robert C. Atkinson

Attachment
cc: James R. Coltharp

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JUL 2 3 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

T_1 Port on Switch ≈ \$2400

Equipment capacity is 24 TRUNKS
Traffic Capacity 15 ≈ 25 CCS/TNK/BH
for network performance

25 CCS/TN
x 24 TKS
600 CCS/T1/hr.
· 8 BH Equivalents /day
4800 CCS/T1/DAY
x25 25 Busy Days/month
120,000 CCS/T1/month
x100 Seconds/CCS
120×10^5 Seconds Traffic/T1/month
÷ 60 60 Seconds/MOU.
2×10^5 MOU/T1/month

$\frac{\$66}{2 \times 10^5}$ = monthly \$/MOU to Cover Capital cost

2400 ÷ 3 ÷ 12

33×10^{-5}

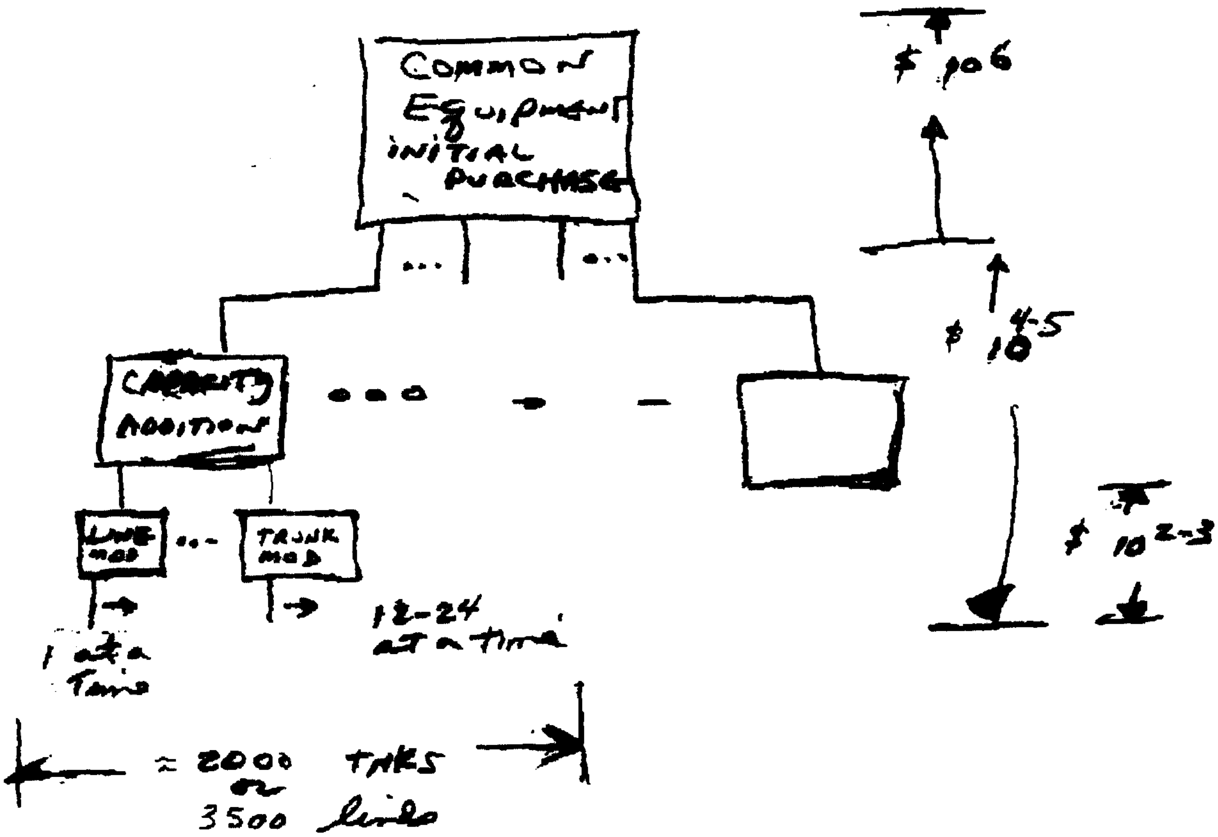
= .00033 \$ / MOU

.033 ¢/MOU

all that is needed to recover total capital costs

[redacted]

SWITCH MODULAR DESIGN



TCG'S INTERCONNECTION NEGOTIATIONS

- **160 DAY NEGOTIATING PERIOD WITH RBOCS ENDED JULY 17**

  TCG reached agreements covering 10 States:

  - **Pacific Bell (CA.)**
  - **BellSouth (AL, FL, GA, KY, LA, MS, NC, SC, TN)**

  TCG filed Arbitration Petitions in 21 States:

  - **NYNEX (NY, MA, RI)**
  - **Bell Atlantic (NJ, PA, MD, VA, DC)**
  - **Ameritech (IL, WI, MI, OH, IN)**
  - **Southwestern Bell (TX, MO)**
  - **US West (AZ, CO, NE, UT, OR, WA)**

- **PRINCIPAL AREAS OF DISAGREEMENT REQUIRING ARBITRATION**

  - **Reciprocal Arrangement for Transport & Termination of Local Traffic**
  - **Meet Point Billing Arrangement for Tandem Switched Access Traffic**
  - **Performance Standards (and Penalties)**

RECIPROCAL COMPENSATION FOR TRANSPORT & TERMINATION OF LOCAL EXCHANGE TRAFFIC

- **Sec. 252(d)(2)(A)(i): Transport & Termination (T&T) arrangements must provide for "...recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier"**

  - **Since each CLEC will have different business objectives, market focus, technological capabilities, etc., each will impose DIFFERENT costs on the ILEC's network facilities**

    - ***Example*: Since "off peak" CLEC traffic will impose lower costs on ILECs than "peak" traffic, a "residential" CLEC will impose less costs than a "business" CLEC.**

    - ***Example*: Interconnecting at ILEC end office will impose less costs than interconnecting at ILEC tandem.**

  - **Therefore, each CLEC is entitled to a unique T&T arrangement that reflects ONLY the costs it causes**

- **Sec. 252(d)(2)(A)(ii): costs are to be determined "on the basis of a reasonable approximation of the *additional* costs of terminating such calls."**

  - **At "start up", each CLEC's traffic volume will be so minuscule that it will impose NO measurable additional costs on ILEC.**

  - **As each CLEC's traffic increases AND if the ILEC is able to identify the *additional* costs caused by the CLEC, the ILEC should recover those costs, but only those costs.**

TCG 7/19/96

TRANSPORT & TERMINATION RATES

- Sec. 252(d)(2) pricing standard is "reasonable approximation of additional cost" caused by each interconnector

- Other major goals:
    - Consistency with "flat rate" residential local calling favored/required by many States' laws or policies
    - Encouraging facilities-based local exchange competition
    - Equalizing bargaining power of CLEC vs. ILEC

- BUT ... each interconnector will cause different costs (and some may cause none), depending on such factors as:
    - Time of day peak (residential / business mix)
    - Holding times (voice / data / internet mix)
    - Transport requirement (tandem / end-office mix)
    - Stimulated volume vs. substitute volume
    - Total volume

- AND ... most (if not all) additional costs will be capacity costs, not usage-sensitive costs

- THEREFORE ... "*One size can't fit all*" (or satisfy Act, goals)

- EXCEPT ... "Bill and Keep until the terminating carrier demonstrates actual additional costs caused by interconnector"

- THEN ... Recover end-office capacity costs via capacity charges and recover tandem and usage-sensitive costs via minute-of-use (MOU) charges
    - VERY low end-office MOU charges *might* be acceptable "second best"

MEET POINT BILLING ARRANGEMENT FOR TANDEM SWITCHED ACCESS TRAFFIC

- Sec. 251(c)(2)(A) and (D) require ILECs to interconnect "for the transmission and routing of ... exchange access ... on rates, terms, and conditions that are just, reasonable, and nondiscriminatory..."

- Competitive tandem-routed access service will be jointly provided by CLEC and ILEC

  - Generally, the CLEC will provide "tandem" and "transport" and the ILEC will provide "end office" functions

  - But most ILECs refuse to divide the switched access revenue in a manner that fairly reflects the functions provided by each carrier: it is neither "just" nor "reasonable" for the ILEC to charge TCG for services the ILEC does not provide.

- Competition for tandem switched access service will "reform" switched access rates in much the same way that competition "reformed" special access rates.

- Competition for tandem switched access will encourage the development of facilities-based competition.

PERFORMANCE STANDARDS (AND PENALTIES)

- **Sec. 251(c)(2)(C): ILECs have a DUTY to provide CLEC's facilities and equipment with interconnection "that is at least equal in quality to that provided by the local exchange carrier to itself or any subsidiary, affiliate or any other party to which the carrier provides interconnection:"**

  - **The ILEC's performance standard for CLECs is NOT the ILEC's level of performance for end-user retail customers, it is the ILEC's "internal" standards.**

  - **To provide end-user retail customers with a given performance level, each element of the ILEC's service must perform at a HIGHER level.**

  - **CLECs are entitled to the better of the ILEC's "internal" performance or performance for any other interconnector.**

- **To be make Sec. 251(c)(2)(C) a meaningful duty (and de-regulatory):**

  - **each ILEC MUST "publish" and periodically update its own "internal" performance standards as well as actual performance for each interconnector.**

  - **there must be a rapid, low cost enforcement mechanism (i.e., pre-determined financial penalties)**